



Department of Justice

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**JUSTICE DEPARTMENT ALLOWS TEXAS OIL-DRILLING
FIRMS' PROPOSAL TO FORM JOINT-PURCHASING AGENT
TO PROCURE CHINESE BARITE**

WASHINGTON, D.C. -- The Department of Justice today said that it would not challenge a proposal by three Texas oil well-drilling suppliers--Baker Hughes Inteq and M-1 Drilling Fluids of Houston and Dresser Industries Inc. of Dallas--to jointly buy Chinese produced barite, a chemical used in the oil-drilling process.

The Department's Antitrust Division said that since the Chinese Barite purchased by the three firms accounts for less than 35 percent of world barite production and the shipping capacity in any China-U.S. trade, the proposed joint venture would not likely have an anticompetitive effect in those markets.

Anne K. Bingaman, Assistant Attorney General in charge of the Department's Antitrust Division said that the joint purchasing would not "raise a significant risk of collusion in the sale of the finished product" since the jointly-purchased Chinese barite makes up a small portion of the cost of the finished product sold by the three firms--drilling fluids and other oil well services. The risk was further reduced by procedures that the joint venture will employ to limit communications between its employees and those of the three owners, the Department said.

The Department also observed that to the extent that the joint-purchasing proposal reduced the costs of assuring the quality and reliability of Chinese barite, the proposal would be procompetitive.

The Department's position was stated in a business review letter from Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, to counsel representing the three firms.

According to the applicants, recent supplies of Chinese barite have failed to meet the quality requirements of U.S. purchasers. As a result, U.S. producers have had to undertake expensive actions to counteract the reduced quality of the Chinese barite. U.S. purchasers also have encountered shipping reliability problems with respect to Chinese barite because promised shipments have been diverted at the last minute.

To remedy supply problems, the proposal will establish a joint venture corporation that will purchase barite from Chinese suppliers on behalf of the three firms, provide for quality testing before shipment from China, try to improve the quality control methods of suppliers of the Chinese barite and/or arrange for shipment from China to the facilities of the three firms.

The joint venture entity will resell the Chinese barite to its owners at cost. The three firms would be required to purchase Chinese barite exclusively through their joint venture purchasing agent. They would continue, however, to independently purchase non-Chinese barite.

Negotiations on behalf of the joint venture will be conducted by that venture's employees or an independent party hired by the joint venture rather than by employees of the owner firms. Communications between the joint venture negotiators and an owner firm will be kept confidential. For example, it will not be shared with other owner firms. All meetings of the joint venture's board of directors will be monitored by counsel, and discussions will be limited to publicly-available information related to Chinese barite.

Barite is a soft, dense, chemically inert material that is used as a weighing agent in oil well-drilling fluids to counteract certain pressures that result from well drilling and operation.

China is the world's largest barite producer, accounting for about a third of total production. About 42 percent of barite consumed in the U.S. consumption comes from China.

Under the Department's Business Review Procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Suite 215, Liberty Place, 325 7th Street, N.W., Department of Justice, Washington, D.C. 20004. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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